

PART 6

**2003 CDBG-SUPPORTED ECONOMIC
DEVELOPMENT LOAN FUND
ANNUAL PERFORMANCE REPORT**

MARCH 2004

PART 6.

CDBG SUPPORTED ECONOMIC DEVELOPMENT LOAN FUND PROGRAMS

The state of Washington manages three Community Development Block Grant (CDBG) supported Loan Fund Programs:

- Section 108 Loan Guarantee Program
- Rural Washington Loan Fund
- Float Loan Program

The purpose of this section is to report activity for these three funds during program year 2003 (January 1 through December 31, 2003). Section A of this section will provide information detailing loan activity and balances for the year. Section B contains project specific detail for each open program year (2002 through 2003). Project detail is provided in preparation of entering this data into HUD's Integrated Disbursement Information System at the close of the 2003 program year.

A. CURRENT LOAN ACTIVITY FOR PROGRAM YEAR 2003

Section 108 Loan Guarantee Program

Section 108 is the loan guarantee provision of the CDBG program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Regulations governing the Section 108 program may be found at 24 CFR 570, Subpart M, "Loan Guarantees." A list of obligations current as of December 31, 2003 is in Table 6A below.

Although pledge to back a loan guaranteed project does not immediately reduce the state's CDBG allocation, future reductions due to payment default may result in the reduction of the state's annual award. Reductions to the state's annual award are absorbed by the contingency fund. Reductions in excess of the available balance within the contingency fund are to be absorbed proportionally by all CDBG grant programs (non-loan fund programs). Net reductions occurring in program year 2003 totaled \$444,875.50. This amount was reduced from the state's annual grant award made available to eligible city and county jurisdictions. In program year 2003 the state pledged up to its 2003 CDBG allocation (\$18 million) for the loan guarantee program. No loan guarantee projects were completed in 2003. Total loan guarantee fees collected in 2003 were \$0.

Table 6A. Detail of Existing Section 108 Loan Guarantee Projects

| Name | Location | Year | Original Amount | Balance as of 12/31/03 | CDBG Fund Losses | Maturity Date |
|--------------------|--------------|------|-----------------|------------------------|---|---------------|
| Grays Harbor Paper | Hoquiam | 1994 | \$3,300,000 | \$435,000 | Principal: \$1,525,000 Interest: \$186,147 | 8/1/2004 |
| Shilo Inn | Ocean Shores | 1994 | \$3,600,000 | \$2,400,000 | 0 | 8/1/2014 |
| Icicle Amusement | Leavenworth | 1996 | \$2,020,000 | \$1,250,000 | 0 | 8/1/2015 |
| Everybody's of | Raymond | 2001 | \$1,960,000 | \$1,570,000 | 0 | 8/1/2016 |

| | | | | | | |
|----------------------------|------------------|------|-------------|--------------|---|----------|
| Raymond | | | | | | |
| Grays Harbor PDA | Grays Harbor Co. | 2001 | \$4,565,000 | \$4,500,000 | 0 | 8/1/2021 |
| Maritime Center | Pt. Townsend | 2002 | \$1,000,000 | \$1,000,000 | | 8/1/2023 |
| Total Currently Obligated: | | | | \$11,155,000 | | |

Rural Washington Loan Fund

The Rural Washington Loan Fund (RWLF), administered by the Economic Development Division within CTED, was created by the Washington State Legislature to provide "gap financing" to small businesses, primarily in economically distressed and timber-impacted areas of the state. To conform to the State Constitution, the RWLF Program exchanges the state appropriated RWLF funds with an equal amount of CDBG Program funds. RWLF is guided by RCW 43.168 in addition to HUD regulations. Table 6B details a listing of jurisdictions that have participated in using this resource to support businesses that are currently holding loans.

The total beginning balance for the RWLF Program as of January 1, 2003 was \$3,842,867. The total ending balance for the RWLF Program as of December 31, 2003 was \$4,134,209 (amount available for re-lending in 2003 as well as any eligible administrative costs of up to two percent of program income received).

Table 6B. Outstanding RWLF Loans (as of 12/31/03)

| <u>Sponsoring Jurisdiction</u> | <u>Calendar Year Lent</u> | <u>Original Loan Amount</u> | <u>Total Payments to 12/31/03</u> | <u>Principal Balance Due (12/31/03)</u> |
|--------------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| City of Centralia | 2002 | \$150,000.00 | \$12,657.90 | \$145,513.62 |
| City of Moses Lake | 2002 | \$405,000.00 | \$55,129.45 | \$387,296.98 |
| City of Union Gap | 2002 | \$100,000.00 | \$3,406.44 | \$98,513.61 |
| City of Omak | 2001 | \$249,100.00 | \$55,915.95 | \$225,136.76 |
| Okanogan County | 2000 | \$240,000.00 | \$165,000.00 | \$130,090.54 |
| City of Sunnyside | 2000 | \$700,000.00 | \$176,580.37 | \$687,309.65 |
| Yakima County | 2000 | \$270,000.00 | \$58,782.41 | \$268,370.19 |
| City of Ellensburg | 2000 | \$35,000.00 | \$2,217.12 | \$33,923.95 |
| City of Oroville | 2000 | \$189,387.00 | \$48,200.90 | \$166,196.16 |
| City of Republic | 1999 | \$95,000.00 | \$45,109.00 | \$55,997.79 |
| City of Shelton | 1997 | \$50,000.00 | \$40,006.45 | \$34,485.92 |
| Yakima County | 1996 | \$497,448.00 | \$219,069.00 | \$489,569.06 |
| City of Hoquiam | 1996 | \$320,000.00 | \$21,307.47 | \$284,591.44 |
| City of Langley | 1995 | \$35,000.00 | \$2,437.30 | \$33,457.90 |
| City of Anacortes | 1994 | \$65,000.00 | \$62,527.04 | \$46,231.66 |
| City of Centralia | 1994 | \$135,000.00 | \$15,082.46 | \$131,045.36 |
| City of Sunnyside | 1990 | \$50,199.00 | \$92,838.94 | \$44,918.21 |
| | | \$3,586,134.00 | \$1,076,268.20 | \$3,262,648.80 |

In 2003, three RWLF loans directly funded by CDBG funds were made available to businesses through participating local governments totaling \$1,414,000 of resources lent. Since these loans were funded directly with CDBG funds, the detail on these loans is provided in Part 5.

Float-Funded Activities Program

CTED manages the Float-Funded Activities program that serves non-entitlement jurisdictions by using CDBG funds allocated to the Washington State CDBG Program, but not expected to be drawn down for the duration of the loan term. These funds may be used to provide short-term loans to businesses/developers for economic development/job creation activities that meet a HUD National Objective. Float-funded activities are described in the HUD regulations at 24 CFR 570.301 (b).

In 2003, one float-funded activity for interim construction financing totaling \$1,189,850 was directly funded by the CDBG Program. Since this float-funded activity was funded directly by the CDBG Program, the detail is provided in Part 5.

AMOUNT OF FUNDS AVAILABLE

Based on the estimated cash expenditures of CDBG construction grants and the amount of estimated funding available for the FY 2003 Washington State CDBG Program, a total of \$1,905,000 of CDBG resources were made available for float-funded activities in program year 2003. Total program income received from float-funded activities for program year 2003 was \$4,297. Up to two percent of all float-funded activity resources held and collected by the state may be used for administrative activities.

Table 6C. Float-Funded Activities (as of 12/31/03)

| Name | Location | Year | Float-Funded Activities Amount | Float-Funded Activities Program Income | Date of Issuance | Due Date |
|---|-----------------|-------------|---------------------------------------|---|-------------------------|-----------------|
| Cascade Coatings | Lewis County | 2003 | \$605,000 | \$3,050 | 6/24/03 | 12/24/05 |
| Gorge Delights | Skamania County | 2003 | \$250,000 | \$1,247 | 9/4/03 | 3/4/06 |
| Shoemaker Manufacturing | Kittitas County | 2003 | \$1,050,000 | \$0 | 10/29/03 | 4/29/06 |
| * All Float-funded activities are secured in full by an Irrevocable Bank Letter of Credit. | | | | | | |

B. INTEGRATED DISBURSEMENT INFORMATION SYSTEM PROJECT DETAIL

The attached tables provide project detail for all CDBG supported loan fund activities in currently open program years (2002 through 2003).

STATE OF WASHINGTON CDBG PERFORMANCE/EVALUATION REPORT

RURAL WASHINGTON LOAN FUND PROGRAM

PROGRAM YEAR: 2003

GRANT NUMBER: B-03-DC-53-0001

| 2003 BEGINNING BALANCES | | NEW LOANS | LOAN REPAYMENTS | FUND INTEREST EARNINGS | PROGRAM DELIVERY COSTS | 2003 ENDING BALANCES |
|-------------------------|----------------|-----------|-----------------|------------------------|------------------------|----------------------|
| RWLF FUND BALANCE: | \$3,842,866.74 | | \$182,015.77 | \$70,773.88 | | \$4,134,209.29 |
| AVAILABLE FOR LOANS: | \$3,663,262.14 | \$0.00 | \$178,375.35 | \$69,358.40 | | \$3,997,303.59 |
| PROGRAM DELIVERY: | \$179,604.60 | | \$3,640.42 | \$1,415.48 | \$49,515.46 | \$136,905.70 |

\$1,414,000 of 2003 RWLF LOANS WERE FUNDED DIRECTLY FROM CDBG GRANT FUNDS

WASHINGTON STATE ECONOMIC DEVELOPMENT FLOAT LOAN PROGRAM

PROGRAM YEAR: 2003

GRANT NUMBER: B-03-DC-53-0001

FUNDS DRAWN DIRECTLY FROM CDBG GRANT FUNDS

FLOAT LOANS ISSUED: 1,300,000.00 FLOAT LOAN PRINCIPLE REPAYED: \$40,000.00 FLOAT LOAN INTEREST EARNED: \$4,304.14

| JURISDICTION | 3A | ACTIVITY# | LINE ITEM | ACTIVITY TYPE | 4A | IDIS CONTRACT AMOUNT | RL FUND AMOUNT PAID | NATIONAL OBJECTIVE | PROPOSED JOBS CREATED OR RETAINED | PROPOSED LMI JOBS CREATED OR RETAINED | ACTUAL JOBS CREATED OR RETAINED | ACTUAL LMI JOBS CREATED OR RETAINED |
|---|----|-----------|--------------|--|----|----------------------------|---------------------------|-----------------------|---|---|---|---|
| Shelton | NR | 3526 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$700,000 | \$0 | LMJ | 0 | 0 | 0 | 0 |
| PROJECT NUMBER TOTALS 2003-0093 | | | | | | \$700,000 | \$0 | | | | | |
| This RWLF loan will retain 246 jobs (all LMI) in a plywood manufacturing plant in Shelton. | | | | | | | | | | | | |
| Union Gap | NR | 3540 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$400,000 | \$0 | LMJ | 0 | 0 | 0 | 0 |
| PROJECT NUMBER TOTALS 2003-0096 | | | | | | \$400,000 | \$0 | | | | | |
| This RWLF loan will create 15 new jobs (all LMI) in a new dental office in Union Gap. | | | | | | | | | | | | |
| Waterville | NR | 3541 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$314,000 | \$0 | LMJ | 0 | 0 | 0 | 0 |
| PROJECT NUMBER TOTALS 2003-0097 | | | | | | \$314,000 | \$0 | | | | | |
| This RWLF loan will will retain or create 43 new jobs (22 LMI) in a plastic injection molding manufacturer in Waterville. | | | | | | | | | | | | |
| Program Year: 2003 | | | | | | \$1,414,000 | \$0 | LMJ | 0 | 0 | 0 | 0 |
| PROGRAM YEAR TOTALS | | | | | | | | | | | | |
| | | | | | | \$1,414,000 | \$0 | | 0 | 0 | 0 | 0 |
| | | | | | | \$1,414,000 | \$0 | | | | | |

STATE OF WASHINGTON CDBG PERFORMANCE/EVALUATION REPORT

RURAL WASHINGTON LOAN FUND PROGRAM

PROGRAM YEAR: 2002

GRANT NUMBER: B-02-DC-53-0001

| 2002 BEGINNING BALANCES | | NEW LOANS | LOAN REPAYMENTS | FUND INTEREST EARNINGS | PROGRAM DELIVERY COSTS | 2002 ENDING BALANCES |
|-------------------------|----------------|--------------|-----------------|------------------------|------------------------|----------------------|
| RWLF FUND BALANCE: | \$4,184,097.78 | | \$574,304.67 | \$0.00 | | \$3,842,866.74 |
| AVAILABLE FOR LOANS: | \$3,933,819.02 | \$655,000.00 | \$566,458.89 | \$0.00 | | \$3,663,262.14 |
| PROGRAM DELIVERY: | \$250,278.76 | | \$7,845.78 | \$0.00 | \$78,519.94 | \$179,604.60 |

PROGRAM YEAR 2002 CONTAINS ALL 2002 AND PRIOR RWLF LOANS THAT WERE ACTIVE AS OF 12/31/2002 AND ENTERED INTO IDIS

WASHINGTON STATE ECONOMIC DEVELOPMENT FLOAT LOAN PROGRAM

PROGRAM YEAR: 2002

GRANT NUMBER: B-02-DC-53-0001

FUNDS DRAWN DIRECTLY FROM CDBG GRANT FUNDS

FLOAT LOANS ISSUED: \$700,000.00 FLOAT LOAN PRINCIPLE REPAYED: \$4,500,000.00 FLOAT LOAN INTEREST EARNED: \$31,808.39

| JURISDICTION | 3A | ACTIVITY# | LINE ITEM | ACTIVITY TYPE | 4A | IDIS CONTRACT AMOUNT | PAID AMOUNT | NATIONAL OBJECTIVE | PROPOSED JOBS CREATED OR RETAINED | PROPOSED LMI JOBS CREATED OR RETAINEDI | ACTUAL JOBS CREATED OR RETAINED | ACTUAL LMI JOBS CREATED OR RETAINED |
|--|----|-----------|--------------|--|----|----------------------------|------------------|-----------------------|---|--|---|---|
| Anacortes | NR | 3589 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$65,000 | \$65,000 | LMJ | 20 | 11 | 0 | 0 |
| PROJECT NUMBER TOTALS 2002-0149 | | | | | | \$65,000 | \$65,000 | | | | | |
| This RWLF loan will create new jobs in a micro-brewery located in Anacortes. | | | | | | | | | | | | |
| Centralia | NR | 3581 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$135,000 | \$135,000 | LMJ | 45 | 23 | 26 | 3 |
| PROJECT NUMBER TOTALS 2002-0140 | | | | | | \$135,000 | \$135,000 | | | | | |
| This RWLF loan will create new jobs in a housing manufacturing company located in Centralia. | | | | | | | | | | | | |
| Centralia | NR | 3592 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$150,000 | \$150,000 | LMJ | 7 | 4 | 0 | 0 |
| PROJECT NUMBER TOTALS 2002-0152 | | | | | | \$150,000 | \$150,000 | | | | | |
| This RWLF loan will create new jobs in a water bottling plant in Centralia. | | | | | | | | | | | | |
| Ellensburg | NR | 3586 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$35,000 | \$35,000 | LMJ | 9 | 5 | 6 | 6 |
| PROJECT NUMBER TOTALS 2002-0146 | | | | | | \$35,000 | \$35,000 | | | | | |
| This RWLF loan will create new jobs in a restaurant in Ellensburg. | | | | | | | | | | | | |
| Hoquiam | NR | 3583 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$320,000 | \$320,000 | LMJ | 34 | 18 | 8 | 8 |
| PROJECT NUMBER TOTALS 2002-0143 | | | | | | \$320,000 | \$320,000 | | | | | |
| This RWLF loan will create new jobs in a shake manufacturing plant in Hoquiam. | | | | | | | | | | | | |

| JURISDICTION | 3A | ACTIVITY# | LINE ITEM | ACTIVITY TYPE | 4A | IDIS CONTRACT AMOUNT | PAID AMOUNT | NATIONAL OBJECTIVE | PROPOSED JOBS CREATED OR RETAINED | PROPOSED LMI JOBS CREATED OR RETAINEDI | ACTUAL JOBS CREATED OR RETAINED | ACTUAL LMI JOBS CREATED OR RETAINED |
|---|----|-----------|--------------|--|----|----------------------------|------------------|-----------------------|---|--|---|---|
| Moses Lake | NR | 3593 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$405,000 | \$405,000 | LMJ | 15 | 8 | 13 | 9 |
| PROJECT NUMBER TOTALS 2002-0153 | | | | | | \$405,000 | \$405,000 | | | | | |
| This RWLF loan will create new jobs with the building of a new hotel in Moses Lake. | | | | | | | | | | | | |
| Okanogan County | NR | 3587 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$240,000 | \$240,000 | LMJ | 13 | 7 | 14 | 8 |
| PROJECT NUMBER TOTALS 2002-0147 | | | | | | \$240,000 | \$240,000 | | | | | |
| This RWLF loan will create new jobs in a trucking and logging firm headquartered in Tonasket. | | | | | | | | | | | | |
| Omak | NR | 3591 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$249,100 | \$249,100 | LMJ | 27 | 14 | 17 | 8 |
| PROJECT NUMBER TOTALS 2002-0151 | | | | | | \$249,100 | \$249,100 | | | | | |
| This RWLF loan will create new jobs in a newly opened fruit packing company in Omak. | | | | | | | | | | | | |
| Oroville | NR | 3588 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$189,387 | \$189,387 | LMJ | 20 | 11 | 12 | 11 |
| PROJECT NUMBER TOTALS 2002-0148 | | | | | | \$189,387 | \$189,387 | | | | | |
| This RWLF loan will both retain and create jobs in an auto and tire store in Oroville. | | | | | | | | | | | | |
| Republic | NR | 3584 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$95,000 | \$95,000 | LMJ | 3 | 2 | 2 | 2 |
| PROJECT NUMBER TOTALS 2002-0144 | | | | | | \$95,000 | \$95,000 | | | | | |
| This RWLF loan will retain jobs in a hardware and auto parts store in Republic. | | | | | | | | | | | | |

| JURISDICTION | 3A | ACTIVITY# | LINE ITEM | ACTIVITY TYPE | 4A | IDIS CONTRACT AMOUNT | PAID AMOUNT | NATIONAL OBJECTIVE | PROPOSED JOBS CREATED OR RETAINED | PROPOSED LMI JOBS CREATED OR RETAINED | ACTUAL JOBS CREATED OR RETAINED | ACTUAL LMI JOBS CREATED OR RETAINED |
|--|----|-----------|--------------|--|----|----------------------------|--------------------|-----------------------|---|---|---|---|
| Sunnyside | NR | 3580 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$83,036 | \$83,036 | LMJ | 19 | 10 | 3 | 2 |
| PROJECT NUMBER TOTALS 2002-0139 | | | | | | \$83,036 | \$83,036 | | | | | |
| This RWLF loan will create 19 new jobs (10 LMI) in a food trailer tank cleaning service in Sunnyside. | | | | | | | | | | | | |
| Sunnyside | NR | 3590 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$700,000 | \$700,000 | LMJ | 30 | 16 | 20 | 18 |
| PROJECT NUMBER TOTALS 2002-0150 | | | | | | \$700,000 | \$700,000 | | | | | |
| This RWLF loan will create new jobs in a fruit processing company in Sunnyside. | | | | | | | | | | | | |
| Union Gap | NR | 3594 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$100,000 | \$100,000 | LMJ | 12 | 7 | 6 | 1 |
| PROJECT NUMBER TOTALS 2002-0154 | | | | | | \$100,000 | \$100,000 | | | | | |
| This RWLF loan will create new jobs in a telecommunications firm in Union Gap. | | | | | | | | | | | | |
| Yakima County | NR | 3585 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$270,000 | \$270,000 | LMJ | 9 | 5 | 10 | 6 |
| PROJECT NUMBER TOTALS 2002-0145 | | | | | | \$270,000 | \$270,000 | | | | | |
| This RWLF loan will create new jobs in an expansion of a plastic molding manufacturer in unincorporated Yakima County. | | | | | | | | | | | | |
| Zillah | NR | 3582 | 18A | ED Direct: Direct Fin Assist to For-Profit | N | \$497,448 | \$497,448 | LMJ | 15 | 8 | 8 | 8 |
| PROJECT NUMBER TOTALS 2002-0141 | | | | | | \$497,448 | \$497,448 | | | | | |
| This RWLF loan will create new jobs in a new motel in Zillah . | | | | | | | | | | | | |
| Program Year: | | | | 2002 | | \$3,533,971 | \$3,533,971 | LMJ | 278 | 149 | 145 | 90 |

| JURISDICTION | 3A | ACTIVITY# | LINE ITEM | ACTIVITY TYPE | 4A | IDIS CONTRACT AMOUNT | PAID AMOUNT | NATIONAL OBJECTIVE | PROPOSED JOBS CREATED OR RETAINED | PROPOSED LMI JOBS CREATED OR RETAINED | ACTUAL JOBS CREATED OR RETAINED | ACTUAL LMI JOBS CREATED OR RETAINED |
|-----------------------------------|----|-----------|--------------|--|----|----------------------------|--------------------|-----------------------|---|---|---|---|
| <i>PROGRAM YEAR TOTALS</i> | | | | | | | | | | | | |
| | | | 18A | ED Direct: Direct Fin Assist to For-Profit | | \$1,414,000 | \$0 | | 0 | 0 | 0 | 0 |
| | | | | | | \$3,533,971 | \$3,533,971 | | | | | |